RSC
Republican Study Committee
Rep. Jim Jordan (R-OH), Chairman
Paul Teller, Executive Director
1524 Longworth House Office Bldg.
Washington, D.C. 20515
RSC.JORDAN.HOUSE.GOV
ph. (202) 226-9717 / fax (202) 226-1633

Impending Tax Increases

If Congress Takes No Action….

April 2011

Unless Congress takes action, the following tax increases* will automatically occur in the following tax-years:

2011:

- The $8,000 first-time homebuyer credit will expire for those serving on qualified official extended duty overseas.

2012:

- The one-year employee-share payroll tax cut of 2% will expire (sec. 601).
- The exemption for the Alternative Minimum Tax (AMT) will decrease from $46,700 to $33,750 for single filers and from $70,950 to $45,000 for married couples filing jointly.
- State and local general sales taxes will no longer be deductible.
- Tax-free distributions from individual retirement plans for charitable purposes will no longer be allowed.
- The Work Opportunity Tax Credit, which allows employers to credit up to 40% of the first-year wages of a new employee, will expire.
- The 20% credit for basic research expenses and payments will expire.
- Increased expensing of depreciable business assets up to $500,000 will revert to a level of $125,000.
- The above-the-line deduction for qualified tuition and related expenses will expire.

- Premiums paid for qualified mortgage insurance will no longer be considered deductible as interest on a mortgage.

- The deductions for donation of "apparently wholesome food inventory," books to public schools, and computer technology to schools and libraries will expire.

- The additional $3,170 credit for adoption of children with special needs will expire ($10,000 credit will remain).

- The $250 deduction for elementary and secondary school teachers to purchase supplies for use in the classroom will expire.

- Facilities that produce "refined coal" will no longer qualify for the renewable energy production credit.

- The $1,500 credit for qualified energy efficiency improvements will expire.

- The $2,500 credit for a plug-in electric vehicle will expire.

- Several credits for alternative motor vehicles will expire.

- The $30,000 credit for a new alternative fuel vehicle refueling property will expire.

- The credits for the production and blending of ethanol and alcohol fuel mixtures, and outlay payments for the same, will expire.

- Credits for biodiesel producers and blending, and excise tax credits and outlay payments for the same, will expire.

- The Indian employment tax credit – 20% of wages and benefits up to $6,000 – will expire.

- The new markets tax credit which provides a credit of up to $5 million on investments in community development entities will expire.

- The railroad track maintenance credit of 50% of track maintenance expenditures will expire.

- The new energy efficient home credit of $2,000 will expire.

- The energy efficient appliance credit (varying amounts) will expire.

- The mine rescue team training credit of $10,000 will expire.

- The credit for 20% of differential wage payments paid to employees put on active-duty as military reservists will expire.   .

- The limitation will drop to $0 for zone academy bonds.

- The allowed amount of commuter benefits allowable as a fringe benefit will drop from $175 a month to $100.

- Accelerated depreciation for qualified business property on an Indian reservation will expire.

- The $15 million deduction for film and television productions will expire.

- The alternative fuel and fuel mixture credits and outlay payments for the same will expire.

2013:

- The marginal income tax rates will increase as follows:
  - --35% bracket will increase to 39.6%
  - --33% bracket will increase to 36%
  - --28% bracket will increase to 31%
  - --25% bracket will increase to 28%
  - --10% and 15% brackets will condense to 15%

- The maximum taxable income of the 15% income tax bracket for couples as a percentage of the maximum taxable income for singles will decrease from 200% to 167%--restoring the marriage penalty.

- The standard deduction for couples as a percentage of the standard deduction for singles will decrease from 200% to 167%--restoring the marriage penalty.

- The personal capital gains tax will increase to 20% and 10% (from 15% and 5%).

- Dividends will no longer be taxed at the capital gains rate for individuals, thereby increasing the double taxation of dividends by as much as 164%.

- The “death” tax using the “stepped up” basis will return with a 55% maximum rate (including surtax) and a $1 million exemption, after years of decreasing “death” tax rates, increasing exemptions, and the 2010 tax compromise’s 35% tax rate with a $5 million exemption.

- The dependent care tax credit will decrease from $3,000 to $2,400.

- The child tax credit will decrease from $1,000 to $500.

- The adoption tax credit will decrease from $10,000 to $5,000

- Several provisions of the student loan interest deduction, the increase in the phase-out range, the repeal of the limitation on number of months interest is deductible, and the allowance for voluntary, deductible payments of interest will expire.

- The maximum contribution to educational IRAs will decrease from $2,000 to $500, the expanded list of allowable distributions will expire, and the marriage penalty for the phase-out range will be reinstated.

- The American Opportunity Tax Credit, a partially-refundable expansion of the Hope Scholarship Credit, will expire.

- The limitation on the allowable amount of itemized deductions by higher income individuals (the “Pease limitation") will expire.

- The additional depreciation of 50% of basis on qualified property will expire.

- Increased expensing of depreciable business assets up to $125,000 will revert to a level of $25,000.

- The tax credit for the production of Indian coal will expire.

- The cellulosic biofuel producer credit will expire.

- The credit of 25% of costs for employer-provided child care will expire.

- The election to claim the energy credit in lieu of the electricity production credit for wind facilities will expire.

- The special rule for long-term unused credits for those qualifying for the credit for prior year minimum tax liability will expire.

- Taxpayers will no longer be eligible to exclude a discharge of indebtedness on their principal residence from their gross income.

- The suspension of the section excluding graduate school from allowed employer-provided educational assistance will expire.

- The special depreciation allowance for cellulosic biofuel plant property will expire.

- The elimination of the phase-out for personal deductions will expire.

- The reduced rate of 15% for the accumulated earnings tax will expire.

2014:

- Transfers of excess assets in a definite benefits plan to a health account for retirees will no longer be allowed.
- Accelerated depreciation over three years of race horses less than 2 years old will expire.
- The placed-in-service date limit will be reached for the electricity production credit.
- The election to claim the energy credit in lieu of the electricity production credit for wind facilities will expire.
- The deduction of $1.80 per square foot for energy efficient commercial buildings will expire.

Source for the above information: Joint Committee on Taxation.

*This list is not exhaustive. For a more exhaustive list, see this webpage: http://www.jct.gov/publications.html?func=startdown&id=3722

Note: This document is for informational purposes only and should not be seen as supporting or opposing particular tax provision.

RSC Staff Contact: Cyrus Artz, Cyrus.Artz@mail.house.gov, (202) 226-0718
Brad Watson, Brad.Watson@mail.house.gov, (202) 226-9719